

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 CCO-00 CIAE-00 OTPE-00
FCC-02 INR-07 NSAE-00 OC-06 USIA-15 BIB-01 EUR-12
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FM AMEMBASSY SANA

TO SECSTATE WASHAC 3341

USDOC WASHDC

UNCLAS SANA 5116

E.O. 11652: N/A

TAGS: ETEL, YE

SUBJECT: YAR TELECOMMUNICATIONS PROJECT

REF: STATE 306216 (NOTAL)

1. FOR LAST YEAR OR SO, EMBASSY HAS BEEN PRESSING YARG OFFICIALS TO CONSIDER AMERICAN COMPANY FOR ROLE IN EXPANSION OF TELEPHONE SYSTEM WITHIN YEMEN. IN JUNE, HOWEVER, DURING STATE VISIT TO FRANCE, LATE PRESIDENT HAMDI AWARDED CONTRACT TO FRENCH CONSORTION. CONTRACT WAS EXTREMELY UNPOPULAR FOR BOTH TECHNICAL AND OTHER REASONS WITHIN YARG BUT MOMENTUM GENERATED BY CHIEF-OF-STATE VISIT HAS ALLOWED SERIES OF CONTRACTS FOR MATERIALS AND SERVICES TO BE SIGNED WITH ONLY FINANCING DETAILS REMAINING TO BE FORMALIZED.

2. FRENCH CONTRACT IS, ACCORDING TO REPORT OF YEMENIS AND OTHER OFFICIALS, INAPPROPRIATE FOR YEMEN AS EQUIPMENT IS HIGH TECHNOLOGY ITEMS WHICH HAS NOT EVEN BEEN PUT INTO USE IN FRANCE. YEMENIS HAVE NO RPT NO HOPE OF OPERATING AND MAINTAINING THIS EQUIPMENT. COSTS ARE HIGH WITH GENEROUS PROVISIONS FOR ESCALATION BUILT IN AND YARG FACES PROSPECT OF MAKING AYDISPROPORTIONATELY LARGE
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INVESTMENT, USING COMMERCIAL FUNDS, IN SECTOR WHICH NOT HIGHEST PRIORITY IN ITS FIVE YEAR PLAN.

3. WITH THIS IN MIND, AMBASSADOR RAISED ISSUE OF TELECOMMUNICATIONS PROJECT WITH PRESIDENT GHASHMI ON 19 DECEMBER AND SUBSEQUENTLY RAISED THE ISSUE WITH PRIME MINISTER AND EPUTY PRIME MINISTER AS WELL.

AMBASSADOR ASKED ONLY THAT AMERICAN COMPANIES BE
GIVEN AN AOPRTUNITY TO PRESENT THEIR CASES AGAIN.

4. AS OBJECT AT THE MOMENT IS TO PERSUADE YEMENI
GOVERNMENT TO GET OUT OF FRENCH CONTRACT, WHICH THEY
DO NOT LIKE AND
WHICH DOES NOT SUIT THEIR INTERESTS,
SEEMS DESIRABLE TO BE ABLE TO SAY THAT THERE ARE TWO
RPT TWO AMERICAN COMPANIES WHICH ARE INTERESTED IN
THIS DEAL IN ANY CASE, FACT IS THAT THERE ARE TWO
RPT TWO AMERICAN COMPANIES -- WESTERN ELECTRIC AND
GTE -- WHICH HAVE FOR SOME TIME PRESSED THEIR SUITS
AND WE SEE NO WAY OF TELLING ONE OR THE OTHER AT THIS
POINT THAT IT SHOULD NOT COMPETE FOR THE WORK.

5. FTY: GTE PROPOSAL, WHICH IS MORE MODEST IN COST
AND INCLUDES OFFER OF JOINT VENTURE PLUS REVENUE-
FINANCED DEVELOPMENT, IS PROBABLY GOING TO BE MUCH
MORE ATTRACTIVE TO YARG THAN WESTERN ELECTRIC PROJECT
WHICH HAS COMMERCIAL FINANCING (LIKE FRENCH) BUT
APPARENTLY IS PRICED AT TWO TIMES AMOUNTS OF FACE
VALUE OF FRENCH CONTRACTS. END FYI.
SCOTES

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